



## MassHealth FY10 H.1 Budget Summary



FY09 Estimated Spending *	FY10 Total**	% growth from FY09 Est Spending	Total Off-budget spending coming on budget	New Total FY10***	% growth from FY09 Est Spending	% growth from FY09 after Adjusting for Enrollment****
\$ 8,415,822,272	8,970,235,518	6.6%	\$ (290,100,000)	\$ 8,680,135,518	3.14%	-0.3%

\* FY09 Est Spending reflects 9C's as well as a deficiency within the MassHealth program.

\*\* FY10 total includes off budget spending that will be moved on-budget

\*\*\* This excludes off-budget spending that came on budget in FY10

\*\*\*\* This excludes off-budget spending that came on budget in FY10 and enrollment growth of ~\$286.8M

### SUMMARY

#### MassHealth Overall Spending

- MassHealth program spending for FY10 is projected at \$8,970.2M, which is \$554.4M (or 6.6%) above the FY09 projected spending. This growth includes moving \$290M in spending not previously in MassHealth budget (including the Children's Behavioral Health Initiative, the Essential Community Provider Trust Fund, and certain hospital and physician rate payments and pay-for-performance payouts) into the MassHealth budget.
- MassHealth program spending for FY10 will grow by approximately 3% after adjusting for these new on-budget items.
- After adjustment for anticipated enrollment growth, MassHealth program spending for FY10 is -0.3%. The FY10 budget projection assumes coverage of 1,231,000 MassHealth members in FY10, a 3.5% increase from FY09 projected caseload.

#### MassHealth Caseload

- MassHealth enrollment is projected to grow at 4.5% in FY09 and 3.5% in FY10. The FY10 MassHealth budget projections anticipate a more than 40,800 net caseload increase from FY09 to FY10, from an average of 1,190,900 members in FY09 to 1,231,000 members in FY10.

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## MASSHEALTH STRATEGIC INITIATIVES

### Hospital Rate Restructuring

1. Requiring or incentivizing MCO-participating hospitals to contract at no more than MassHealth Fee-For-Services (FFS) rates:
  - Currently, MCOs may pay significantly more than Fee-For-Service rates for certain providers, particularly hospitals with market leverage.
  - This initiative would require or incentivize providers to contract with MCOs at no more than Medicaid fee-for-service rates. Providers who do not do so would not be eligible to participate in the MassHealth MCO program or would need to participate on an out-of-network basis. However, those providers would still be permitted to participate in the Medicaid FFS program.
2. Non-payment for Hospital-Acquired Infections and Preventable Re-Admissions
  - MassHealth will stop paying for some Hospital Acquired Infections and Preventable Readmissions, as part of the state's *HealthyMass* initiative.
  - This quality improvement and savings initiative is similar to a recent initiative of Medicare and some private insurers.
3. Community Reference Pricing
  - This savings proposal would collect relative payment data from industry sources and calculate a community-referenced payment amount for certain services. MassHealth would only pay the average payment for certain services, regardless of cost structure of individual hospital.
  - This will result in all providers receiving the same reimbursement for specific services.

#### 4. Alternative Payment Demonstration Authority

- An H.1 outside section authorizes MassHealth to proceed with one or more alternative payment demonstrations with interested hospitals, physician groups and other provider groups.
- This project will establish an aggregate prospective payment to cover the total cost of a defined set of health care services delivered by a provider or provider system for certain diagnoses, with the goal of enhancing incentives for providers to manage costs and utilization, integrate services, and focus on quality, as opposed to volume.
- Development of this model will be informed by the work of the newly created state Commission on Payment Reform. MassHealth will work with the hospital industry to craft these demonstrations.
- In addition, H.1 includes a small investment in appropriate rates for unique or specialized hospitals

#### **Community Service Package: Cash and Counseling**

- H.1 allows MassHealth to implement a Cash and Counseling program to allow MassHealth members receiving certain long-term care community services the option of receiving a cash benefit in lieu of services so that they can make alternative arrangements for their care that best fits their circumstances, needs, and preferences.
- Members who select this option would be assisted by a support broker who would help the member develop a service plan based on the individual's budget.

#### **Medical Home and Care Management**

- This initiative focuses on the movement to a Medical Home model of care provision, supported by a comprehensive care management infrastructure, which will lead to savings through more appropriate service utilization.

- The Medical Home model enhances the Primary Care Clinician (PCC) Plan to support PCC's in providing patient-centered and coordinated care to members.
- This set of projects is associated with an anticipated \$25M savings and a required \$10M investment.

## **MassHealth Pay for Performance**

- In FY10, MassHealth plans to expand its value-based purchasing initiatives across the program.
- MassHealth is further instilling value based principles into its rate payments and will realize \$62M by expanding the amount "at risk" for hospital and nursing facility FY10 Pay for Performance (P4P). These incentive payments will be made in FY11.
- In addition, MassHealth will pay an estimated \$40.6M in FY10 in P4P for hospitals that meet predetermined success thresholds. This will create additional savings of \$17M, because MassHealth will only distribute FY09 PFP monies where the performance benchmarks were met, and will not adjust the thresholds to ensure the total amount budgeted in FY09 (\$58M) is distributed.

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## **MASSHEALTH PROVIDER RATES**

### **Provider Rates**

Given limited budget growth overall and expected MassHealth enrollment growth, planned rate increases to providers are either reduced or eliminated across the MassHealth program.

- Increases in capitated rates paid to managed care plans, including MCO plans, the Massachusetts Behavioral Health Partnership, and SCO and PACE plans will be effectively eliminated.
- Community Long Term Care rate increases for Adult Day Health, Adult Foster Care, Day Habilitation, and Group Adult Foster Care are not funded in H.1. However, spending on

these programs is expected to total over \$300M in FY10, which supports an expected 8-10% increase in utilization.

- Nursing Facility Rates
    - Federal law allows for the nursing facility assessment to be up to 5.5% of gross revenues for the industry. The current assessment is \$145M.
    - This initiative proposes to increase the percentage to 5.5% of gross revenues for the industry, which translates to additional \$75M. Total assessment to the industry in FY10 would be \$220M.
    - This proposal would increase the assessment and return all of the revenue to the nursing facilities through maintenance of current rates, a rate increase of \$15M, and \$35M in FY09 P4P payouts. In addition, \$55M in FY10 P4P will be paid out in FY11.
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## **MASSHEALTH FUNDING INCREASES**

- The Children's Behavioral Health Initiative (Rosie D v. Romney lawsuit) is funded at \$43.5M in FY10. The FY10 funding level is an increase of over \$18.5M from the FY09 spending.
  - The Community First 1115 Waiver is funded at \$21M in FY10. This will enable the Commonwealth to phase in the waiver, initially serving people with disabilities under the age of 60.
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## **MASSHEALTH LINE ITEM CONSOLIDATIONS**

A new consolidated line item approach is much more logically connected to the way MassHealth manages its programs. Two existing line items will be maintained independently and the balance of the MassHealth budget will be structured in a way that is consistent with the organization of the program. Those four major line items encompass payments for members in capitated managed care plans (4000-0500), payments for members in MassHealth's primary care clinician plan (4000-0740), payments for members not in managed

care or the PCC plan (4000-0700), and premium subsidies or payments for members with private insurance or Medicare (4000-0835).

The FY09 GAA included 18 MassHealth line items. House 1 proposes to reduce MassHealth line items to 6:

1. MassHealth Retained Revenue – 4000-0320
2. MassHealth - Auditing & Utilization Review – 4000-0301
3. MassHealth Managed Care Plan – 4000-0500
4. MassHealth Primary Care Plan – 4000-0740
5. MassHealth Fee-For-Service Payments – 4000-0700
6. MassHealth Premium and Subsidy Payments – 4000-0835

The chart below is a crosswalk between FY09 GAA line items and the House 1 account consolidation.

MassHealth Line Item Consolidation		FY10							Amount
Account Description	Account Number	FY09 Estimated Spending	MassHealth Retained Revenue 4000-0320	MassHealth Auditing & Utilization Review 4000-0301	MassHealth Managed Care Plan 4000-0500	MassHealth Primary Care Plan 4000-0740	MassHealth Fee-For-Service Payments 4000-0700	MassHealth Premium and Subsidy Payments 4000-0835	
MassHealth - Auditing & Utilization Review	4000-0301	2,025,904		1,948,560					1,948,560
MassHealth Retained Revenue	4000-0320	225,000,000	225,000,000						225,000,000
Managed Care	4000-0500	3,119,938,586			1,685,061,528	1,721,271,636			3,406,333,164
MCO Essential	4000-1405	269,727,896			64,890,030	259,560,120			324,450,151
CommonHealth	4000-0430	90,594,249			11,144,505	4,477,661	87,771,821		103,393,987
Breast and Cervical Cancer	4000-0875	3,942,285			837,912	3,351,646			4,189,558
Family Assistance	4000-0880	205,470,429			133,514,944	67,320,198	4,882,560		205,717,702
HIV Waiver Expansion	4000-1400	16,424,228			8,858,500	9,220,071			18,078,571
MassHealth - Basic Expansion	4000-0870	124,976,900			76,018,467	79,121,262			155,139,729
Senior Care	4000-0600	2,122,951,908					2,132,110,628		2,132,110,628
SCO and PACE	4000-0600				450,000,000		(450,000,000)		-
MassHealth Nursing Home Supplemental Rates	4000-0640	288,200,000					288,500,000		288,500,000
Indemnity/TPL	4000-0700	1,586,886,277					1,584,919,800		1,584,919,800
Community First	4000-0650	6,500,000					21,000,000		21,000,000
Healthy Start	4000-0895	16,689,291					17,200,673		17,200,673
CMSP	4000-0990	13,952,336					14,186,651		14,186,651
	4000-0700 & 4000-0600						(374,419,317)	374,419,317	-
Medicare Buy-In	4000-0890	41,158,628					47,608,920		47,608,920
Insurance Partnership - EE Subsidies	4000-0891	4,123,335						4,531,091	4,531,091
Insurance Partnership - ER Incentives	4000-1420	256,976,420						268,630,683	268,630,683
Clawback					4,911,150	35,896,200	2,688,300		43,495,650
Children's Behavioral Health Initiative (Rosie D)							14,700,000		14,700,000
Early Intervention		198,175,000			54,100,000				54,100,000
Commonwealth Care Trust Fund (CCTF)						17,500,000	17,500,000		35,000,000
ECPTF									
FY10 Projected Spending		8,593,713,672	225,000,000	1,948,560	2,489,337,036	2,197,718,795	3,361,041,116	695,190,011	8,970,235,518